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C O N F I D E N T I A L SECTION 01 OF 03 PANAMA 001224

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SUBJECT: PANAMA LEGISLATIVE UPDATE: NEW BALLGAME ON
SEPTEMBER 1

REF: PANAMA 1047

Classified By: DCM Christopher J. McMullen for reasons 1.4 (b) & (d)

SUMMARY: Expect little until September 1

¶11. (SBU) Panamanians (current legislators included) are so focused on what will happen after September 1 that they appear to have forgotten entirely that the current Assembly session will continue until the end of May. The Democratic Revolutionary Party (PRD), Panama's largest and best organized party, whose candidate Martin Torrijos won the presidency by a commanding margin, is poised to control Panama's 78-member unicameral legislature that will assume office on September 1. PRD legislators won 41 seats, securing a massive advantage over the second-largest block, the Arnulfista Party's 17 legislators. All seven legally recognized political parties won at least one seat and enough votes to survive as parties. Alliances to defeat future PRD legislative initiatives would require opposition legislators to "convert" PRD renegades as well as join forces with each other, both unlikely events. End Summary.

Out-going legislators slump

¶12. (C) Despite bickering over constitutional reform, Embassy expects little substantive progress in the legislative branch before the new Assembly gets to work on September 1. The outgoing losers, who constitute a high proportion of the current Assembly, just don't have the political will to push things through. Media reports highlight legislators' failure to attend sessions for the past several months. Assembly President Jacobo Salas closed the Assembly weeks before Panama's May 2 elections to allow incumbents and staff, who had thrown their hats in the ring, to run their campaigns. Salas ordered extra hours in May and early June to make up for lost time, but the Assembly has not gathered a quorum (at least 50%) during several days that it was supposed to be in session.

Winners and Losers

¶13. (SBU) The clearest winner in the May 2 elections was the PRD, which increased its number of seats in the Assembly from 34 to 41, and the Solidarity Party, whose share of the Assembly increased from 4 to 9. Despite their alliance with the PRD, the Popular Party (PP) lost big, maintaining only one of its five current legislative seats (that of Second Vice President-elect Ruben Arosemena). Analysts have suggested that the PRD-PP alliance accentuated the existing cleavage within the PP (formerly the staunchly anti-PRD Christian Democratic Party), which began during the Endara Administration (1989-94) with a dispute between Endara and his First Vice President Ricardo Arias Calderon. Indeed, three incumbent PP legislators jumped ship to the Arnulfistas for their re-election bid and two won. Though not as severely as in the presidential race, the Arnulfistas lost ground in the legislature, with their share of the Assembly falling from 19 to 17 legislators. The Arnulfistas owe several "wins" to incumbents who defected from other parties like Juan Carlos Varela (PP), Enrique Garrido (PP), Carlos Afu (PRD), and Sergio Galvez (Democratic Change Party).

¶14. (SBU) The most likely composition of the Legislative Assembly that will begin work on September 1 (subject to the resolution of formal challenges to results, which must be submitted by Friday May 13 at the latest) is:

| PARTY | # Legislators |
|--|---------------|
| Democratic Revolutionary Party (PRD) | 41 |
| Arnulfista Party (PA) | 17 |
| Solidarity Party (PS) | 9 |
| Natl. Liberal Republican Movement (MOLIRENA) | 4 |
| National Liberal Party (PLN) | 3 |
| Democratic Change Party (CD) | 3 |
| Popular Party (PP) | 1 |

Prospects before May 31

15. (C) Embassy is following two issues of interest to the USG in the current legislature. First, the Ministry of Foreign Relations still has to present the Palermo Convention to the Assembly for ratification, to which there does not appear to be any strong opposition. Second, the Legislative Assembly will need to consider an amendment to the organic law of the Interoceanic Regional Authority (ARI) to permit non-commercial organizations to purchase reverted land in installments. Successful passage of such an amendment will determine whether Florida State University (FSU) can afford to keep its Panama campus and might close a long-standing dispute between ARI and FSU.

16. (C) PRD sources have told EmbOffs that they are seeking Arnulfista collaboration to reform the Social Security Fund (CSS) before September 1, a highly unlikely scenario. Though the Torrijos team says their plan would allow both sides to save face while resolving a critical national problem, the Arnulfistas don't appear to have the backing (or desire) to take the drastic steps it would require. The CSS cannot continue to operate with its massive cash flow hemorrhages, which are eating into its reserves at an alarming rate. Indeed, only a consensus solution from all political corners has even a remote chance to be successful; however, President Moscoso already apparently told Martin Torrijos that her administration, "just can't do it right now."

What to look for after September 1

17. (C) When the new PRD-dominated Legislative Assembly goes to work on September 1, 2004, it will probably begin in lock-step with the initiatives that President-elect Martin Torrijos' launches from the executive branch. On the other hand, the Assembly's committees may well be places where tensions flare between the PRD "old guard" and new PRD blood like first-time San Miguelito Legislator-Elect "Mickey" Aleman (a liquor company executive in his early 30s whose uncle is Arnulfista Legislator Francisco "Pancho" Aleman). Intra-PRD competition for the Assembly presidency that the media has publicized pits youth (Rogelio Paredes from the working class district of Arraijan just across the Panama Canal) against experience (Elias Castillo, a longtime public office-holder who won re-election to his legislative seat representing middle to upper class San Francisco and Paitilla suburbs). Hector Aleman, Martin Torrijos' "campaign coordinator," is another seasoned political veteran re-elected to the Legislative Assembly who will probably be recognized for his service to the PRD and could be a contender for Assembly president.

18. (SBU) Parties other than the PRD will have their hands full trying to forge alliances inside the Assembly and out. The Arnulfistas have already announced sweeping reforms of their Board of Directors and changes to the party bylaws that would make primaries mandatory. Guillermo Endara has heeded the Solidarity Party's call to join and strengthen the sudden beneficiary of a massive electoral subsidy US\$3.7M, which he hopes will present constructive opposition to the PRD. The two heirs of Panama's "liberal" tradition, the National Liberal Republican Movement (MOLIRENA) Party and the National Liberal Party (PLN), have announced that they are discussing a merger. The PLN barely survived the May 2 elections, capturing only 1.5% of the presidential vote and 5.23% of the legislative vote nationwide. A PLN/MOLIRENA merger, would create a 7-legislator block to reckon with inside the assembly and allow those previously expelled from MOLIRENA to return to the flock. (NOTE: The term "liberal" in this case corresponds to the historical Conservative / Liberal dichotomy in Colombian politics. End Note.)

COMMENT: Old faces

19. (C) Several candidates' clear ethical and/or legal peccadilloes evidently did not trouble the voters who re-elected them. Analysis reveals that 32 of 59 (54%) of incumbent legislators won re-election. Of the 27 who didn't

make it, 14 are Arnulfistas, 9 are PRDistas, and one each were members of the four smaller parties. A May 11 *La Prensa* report cites former Supreme Court Justice Edgardo Molina Mola's understandable disdain for the re-election of two controversial politicians -- Sergio Galvez and Carlos Afu. Arnulfista behemoth Galvez, who abandoned CD almost immediately after it helped him win his seat in 1999, freely admits that he never attends legislative sessions. He also continues to deny widespread charges that he sells contraband rice by using his legislative immunity. Former PRD turned Arnulfista Afu became (in)famous by waving \$6,000 cash in the air on national TV that he said he received as a bribe from promoters of the controversial CEMIS project.

¶10. (C) The PRD was not without their winners of questionable repute, led by Pedro Miguel Gonzalez, wanted by U.S. authorities for his role in the 1992 murder of U.S. Army Sergeant Zak Hernandez. Pedro Miguel's re-election campaign was rife with irregularities, including allegations of rampant vote-buying and the alleged participation of relatives of Erasmo Pinilla, one of Panama's three Electoral Magistrates, in his campaign. The Electoral Tribunal (ET) aggressively pursued rumors of irregularities in that electoral circuit, pre-emptively removing several apparently biased officials after the Arnulfista party lodged a formal complaint. Arnulfista Jose "Pepe" Gomez, who lost to Gonzalez by a very narrow margin, has not lodged a formal complaint with the ET.

¶11. (C) An angel compared with Gonzalez is Elias Ariel Castillo, a PRD legislator who won re-election and seeks to become Assembly President. Castillo served 17 months hard time while being investigated for embezzling approximately US\$1 million of government funds to fund 1989 political campaigns for Manuel Noriega supporters when he was municipal treasurer of Panama City. He was never convicted of any crime because the judge dismissed charges against him based on investigators' failure to follow established procedures.

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